

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	Order No. D05-337
)	
Philadelphia Indemnity)	Consent Order
Insurance Company,)	Imposing a Fine
)	
An Authorized Insurer)	
)	

FINDINGS OF FACT:

1. Philadelphia Indemnity Insurance Company ("Philadelphia") is authorized to conduct insurance business in the State of Washington.
2. Philadelphia began issuing certain legal malpractice policies on June 1, 1999.
3. On August 8, 1999, Philadelphia filed the forms and rates used with these policies with the Office of the Insurance Commissioner ("OIC"), requesting an effective date of October 1, 1999.
4. The OIC approved the form filing, with an effective date of October 1, 1999.
5. The OIC disapproved the rate filing, effective August 8, 2000. Philadelphia did not respond, so the OIC eventually closed its file on the disapproved rate filing.
6. Philadelphia issued seven policies using the new rates between June 1 and the requested effective date, October 1 of 1999.
7. Philadelphia issued 246 new and renewal policies, using the disapproved rates, between August 8, 2000 and December 29, 2001. Three of those policies had schedule rating debits in excess of 25%, resulting in overcharges of \$254, \$376, and \$434 to two insureds.
8. Philadelphia's special liability reports for 1999 and 2000 did not contain any data for the company's legal malpractice policies.

CONCLUSIONS OF LAW:

1. Philadelphia's failure to file the forms with OIC within 30 days of issuance of these policies violated RCW 48.18.103(2).
2. Philadelphia's failure to file the new rates within 30 days of issuing policies using those rates violated RCW 48.19.043(2).
3. Philadelphia's issuance of seven policies between June 1 and October 1, 1999, using rates not in accord with its rate filing not in effect, violated RCW 48.19.040(6).
4. Philadelphia's issuance of 246 new and renewal policies using the disapproved rates after August 8, 2000, constituted 246 violations of RCW 48.19.040(6).
5. Philadelphia's issuance of three policies with schedule rating debits in excess of 25% constituted three violations of WAC 284-24-100(2).
6. Philadelphia's failure to include complete and accurate information in its special liability reports for two years violated RCW 48.05.380 and RCW 48.05.390.

CONSENT TO ORDER:

1. Philadelphia Indemnity Insurance Company wishes to resolve this matter without further administrative or judicial proceedings. The insurer consents to the entry of this order and acknowledges its duty to comply with the applicable laws and regulations of the State of Washington.
2. By agreement of the parties, the OIC will impose a fine upon Philadelphia Indemnity Insurance Company in the amount of \$75,000 (seventy-five thousand dollars and no/100), of which \$50,000 (fifty thousand dollars and no/100) will be suspended for two years from the date of entry of this order, upon the following conditions:
 - a. That Philadelphia Indemnity Insurance Company comply fully with the Compliance Plan which is attached as Exhibit A; and
 - b. That during the two-year suspense period, Philadelphia Indemnity will not violate any of the statutes or regulations which it violated in this case. The Insurance Commissioner will not impose the suspended portion of the fine nor suspend nor revoke the certificate of authority held by the insurer in the state of Washington if the insurer commits isolated, de minimis violations, as determined by the insurance Commissioner. But if the insurer does commit violations of the statutes or regulations which it violated in this case, which are not isolated, de minimis violations, during the two-year suspense period, then the suspended portion of the fine will be due and payable, together with such other and further fines and sanctions as may be imposed for such additional violations.

c. That Philadelphia Indemnity Insurance Company pay the unsuspended portion of the fine, \$25,000 (twenty-five thousand dollars and no/100) within thirty days of the entry of this order. Failure to do this within that time period will constitute grounds for the suspension or revocation of the certificate of authority held by the insurer in the State of Washington. It will also result in a civil action brought by the Attorney General on behalf of the Insurance Commissioner, to recover the entire amount of the \$75,000 fine.

If Philadelphia Indemnity Insurance Company fulfills all the above conditions, then the Insurance Commissioner will waive the suspended portion of the fine at the end of the two-year suspense period. But if the insurer fails to comply fully with the Compliance Plan which is attached as Exhibit A, or violates one or more of the statutes or regulations which it violated in this case, then the suspended portion of the fine will be due and payable, together with such other and further fines and sanctions as may be levied for such failures to comply, or such additional violations.

EXECUTED AND AGREED, this _____ day of _____, 2005.

PHILADELPHIA INDEMNITY INSURANCE COMPANY

Signature _____

Printed Name _____

Printed Corporate Title _____

ORDER:

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine upon Philadelphia Indemnity Insurance Company in the amount of \$75,000 (seventy-five thousand dollars and no/100), of which \$50,000 (fifty thousand dollars and no/100) will be suspended for two years from the date of entry of this order, upon the following conditions:

- 1 That Philadelphia Indemnity Insurance Company comply fully with the Compliance Plan which is attached to this Order as Exhibit A; and
2. That during the two-year suspense period, Philadelphia Indemnity Insurance Company not violate any of the statutes or regulations which it violated in this case. The Insurance Commissioner will not impose the suspended portion of the fine nor suspend or revoke the certificate of authority held by the insurer in the State of Washington if the insurer commits isolated, de minimis violations during the two-year suspense period. But if the insurer does commit violations of any of the statutes or regulations which it violated in this case, within the two-year suspense period, which are not isolated and de minimis, then the suspended portion of the fine will be due and payable, together with

such other and further fines and sanctions which may be levied for such additional violations.

3. That Philadelphia Indemnity Insurance Company pay the unsuspended portion of the fine within thirty days of the entry of this order. Failure to do so will constitute grounds for the suspension or revocation of the certificate of authority held by the insurer in the State of Washington. It will also result in a civil lawsuit brought by the Attorney General on behalf of the Insurance Commissioner, to recover the entire amount of the fine.

If Philadelphia Indemnity Insurance Company fails to comply with the Compliance Plan which is attached to this order as Exhibit A, then the suspended portion of the fine will be due and payable, together with such other and further fines and sanctions as may be levied for such failure to comply.

If Philadelphia Indemnity Insurance Company complies fully with these three conditions, then at the end of the two-year suspense period, the Insurance Commissioner will waive the suspended portion of the fine.

Entered at Tumwater, Washington, this _____ day of _____, 2005.

MIKE KREIDLER
Insurance Commissioner

By: _____
William Kirby
Legal Affairs Division